



**City of New Haven**  
John DeStefano, Jr.  
Mayor

**Testimony of John DeStefano, Jr.**  
**Mayor, City of New Haven**  
**March 3, 2009**  
**Finance Revenue and Bonding**  
**Connecticut General Assembly**

Honorable Committee Members, thank you for allowing me to address you. As Mayor of New Haven I strongly support passage of HB 6561, An Act Concerning Municipal Revenue Diversification. This bill would provide municipalities with the option of adding additional sources of local revenue. While greater tax reform is needed to offer a true solution to the increasing property tax crisis faced by our constituents, this bill is a step in the right direction.

New Haven, like most other communities in the state, faces budgetary choices which become increasingly difficult each year. As the economic condition of our nation and our state lags, New Haven's revenue shrinks. At the same time, our utility and health care costs rise and the costs of providing basic services to our residents increase. These concerns need to be balanced with the ability of our residents to pay the taxes that are levied upon them.

Due to the statutory phase in of our 2006 revaluation, our residential tax burden is scheduled to increase by an average of 5%, without the City of New Haven collecting any additional tax revenue.

New Haven works hard to mitigate these increasing costs. Despite anticipated savings due to our award winning wellness program, re-bidding of our medical coverage and elimination of all brokerage fees – FY 09 health care costs are still projected to increase by 5.85%, and we anticipate another 4-5% increase for FY 10.

This large increase in necessary costs is also quite visible in utilities. In New Haven, we have an aggressive energy conservation program that has retrofitted all our street lights, and we have implemented LEED and Energy Star Standards in all new construction and renovations which resulted in a reduction of overall consumption of energy. In addition, the City of New Haven successfully went into the open market to procure energy at a substantial savings. Despite these efforts, utility costs continue to rise an average of 11% annually.

Expenditures are not our only problems, due to weak performances in this Fiscal Year we anticipate losses of revenue in Short Term Investments, City Town Clerk

Recording Fees, Real Estate Conveyance Tax and various other License, Permit and Fees totaling over \$2.5 million.

Perhaps most significantly, a large portion of New Haven's Grand List is comprised of tax exempt institutions. New Haven is near capacity, thus our taxable Grand List grows minimally each year. For GL 2008, the Grand List actually shrunk by 1.05% due to assessment appeals, the purchase of taxable property by exempt institutions and the decline in the motor vehicle grand list. At the same time, our share of state aid, such as payments in lieu of taxes, decreases significantly as a portion of our annual budget. For FY 09-10, the City of New Haven stands to receive \$16.3 million less in PILOT funding for State Owned Property & College & Hospitals than if statutory reimbursement levels had been achieved.

This situation has led to an ever increasing burden on our local property tax payers, who are facing increased utility and health care costs themselves.

As we enter a period of economic uncertainty for our state and for our region, it is apparent that swift action is needed to produce new revenue streams for cities and towns. As we have experienced during previous economic downturns, over the next few years, the state will simply not have enough revenue to keep up with increasing municipal demand for state aid. Therefore, it is important for us to look ahead and to propose solutions for how to deal with this impending crisis.

To that end I support passage of a Municipal Revenue Diversification bill. Such a bill would allow municipalities, at their option to adopt: local sales or hotel occupancy tax or implement land/value taxation. I would also support the inclusion of additional local options such as local income and parking taxes.

Providing for a wide variety of options is imperative, as different communities around the state would benefit differently from each option. For example, New Haven would benefit greatly from an option to piggyback on the state sales tax. A municipal option to add up to a one percent increase in the sales tax where new revenue produced would go directly to municipalities where the sale occurred. A one percent increase would equate to one penny on every dollar of taxable goods sold. This "penny tax" would add an additional revenue stream for municipalities and generate millions of dollars in new revenue for our communities. New Haven could expect approximately \$21 million in new revenue from a one percent add on to the state sales tax - \$1.4 million of which would be attributable to restaurant sales.. This amount would allow New Haven to close our budget gap without raising the property tax. While options such as the Hotel Occupancy Tax would be welcomed, it would provide a much smaller benefit to New Haven than the sales tax. For each percent increased, New Haven would receive approximately \$300 thousand dollars, \$1.2 million if the 4% was enacted.

Other municipalities such as New London would benefit greatly from the ability to implement land/value taxation – an option which would not be particularly useful to New Haven.

Finally, in a bond rating received last month, Fitch Rating Agency cautioned against reliance upon economically sensitive State Aid. Enabling municipalities to levy these additional taxes and thereby diversify their revenue streams helps to address these cautions and enables municipalities the ability to better address and balance the needs for service with the ability of residents to pay property taxes by adding an additional revenue stream.

Therefore, I strongly support passage a bill which would allow municipalities a wide variety of local option taxes to chose from to lessen their reliance on the property tax.